

Message Text

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PAGE 01 JAKART 08231 220923Z
ACTION EB-07

INFO OCT-01 EA-07 ISO-00 FEA-01 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 EPG-02 AID-05 SS-15
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TO SECSTATE WASHDC 1919
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AMEMBASSY MANILA
AMEMBASSY SINGAPORE

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E.O. 11652: NA
TAGS: ASEAN, ETRD, ID
SUBJECT: GOI ATTITUDE TOWARDS ASEAN TARIFF CUTTING

REF: MANILA 7251

1. EMBOFF TOOK OPPORTUNITY RECENTLY OF LONG SOUGHT CONVER-
SATION WITH DR. SOEMARDI, DIRECTOR FOR FOREIGN TRADE AT
DEPARTMENT OF TRADE, TO ASK WHETHER INDONESIA HAD MUTED
ITS OPPOSITION TO ASEAN TARIFF CUTS. WITHOUT EVER ACTUALLY
DENYING THAT GOI HAD PRESENTED AN OFFER LIST FOR TARIFF
PREFERENCES AS REPORTED REFTTEL, SOEMARDI HELD FIRMLY TO
LINE TAKEN BY TOP GOI OFFICIALS AT THE TIME THE TRADE
PREFERENCE AGREEMENT (TPA) WAS SIGNED, I.E., THAT TARIFF
CUTS ARE BUT ONE ELEMENT OF THE ASEAN TPA AND NOT THE
MOST IMPORTANT ELEMENT AT THAT. SOEMARDI STRESSED THAT
THE OBJECTIVE OF THE EXERCISE IS EXPANSION OF TRADE AND
SUGGESTED THE GOVERNMENT PURCHASES, LONG TERM QUALITY
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PAGE 02 JAKART 08231 220923Z

CONTRACTS, PURCHASE FINANCE ARRANGEMENTS, ETC., WERE
MORE SUITABLE VEHICLES FOR EXPANDING INTRA-ASEAN TRADE
AT THIS TIME THAN TARIFF CUTTING.

2. ASKED FOR EXAMPLES OF HOW THESE ARRANGEMENTS MIGHT
WORK, SOEMARDI POINTED TO GOI PURCHASE OF THAI RICE

LAST YEAR AT ABOVE WORLD MARKET PRICES. THE "PREFERENCE" HERE HAD BEEN GUARANTEED SUPPLY, AND THE GOI HAD BEEN WILLING TO PAY A PREMIUM FOR IT. IN OTHER YEARS, SITUATION MIGHT BE REVERSED, WITH RTG ACCEPTING BELOW MARKET PRICE IN RETURN FOR GUARANTEED DEMAND. ANOTHER COMMODITY FOR WHICH THIS SCHEME MIGHT BE APPLICABLE IS OIL, ALTHOUGH SOEMARDI HASTENED TO ADD THAT IT COULD NOT BE SOLD AT BELOW OPEC PRICES.

3. WHEN EMBOFF ATTEMPTED TO STEER CONVERSATION BACK TO TARIFF CUTS SOEMARDI SHOWED SOME ANNOYANCE, GRUMBLING THAT TARIFF CUTTING WAS THE ONLY PART OF THE TPA TO WHICH MOST OBSERVERS PAID ANY ATTENTION. HE EXPLAINED THE COMPETING DOMESTIC PRESSURES HE WAS ATTEMPTING TO JUGGLE (PRODUCERS, CONSUMERS, REVENUE NEEDS, EMPLOYMENT CREATION, ETC.) AND SUGGESTED THAT PRESSURE FROM ASEAN PARTNERS HAD ALSO BEEN EXERTED. HE FINALLY ADMITTED THAT MOVEMENT FORWARD ON THE TPA WAS EXPECTED AT THE END-OF-JUNE SESSION OF THE ASEAN TRADE AND TOURISM COMMISSION IN SINGAPORE, AND CONCEDED THAT SOME AGREEMENT ON TARIFF CUTTING COULD BE EXPECTED AS PART OF THE OVERALL PROGRESS.

4. SOEMARDI SAID GOI AND GOS HAVE ALREADY RATIFIED TPA AND THAT OTHER ASEAN MEMBERS ARE EXPECTED TO DO SO BEFORE ASEAN SUMMIT.

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PAGE 03 JAKART 08231 220923Z

5. COMMENT: GOI HAS LIKELY FELT COMPELLED TO SHOW SOME FLEXIBILITY ON QUESTION OF TARIFF CUTS BUT WE SUSPECT ITS CONCESSIONS MAY BE NO MORE THAN THE MINIMUM REQUIRED TO KEEP TALKS ON THE TPA FROM FAILING. SOEMARDI WAS PROBABLY NOT BEING COMPLETELY TRUTHFUL IN IMPLYING THAT GOI HAD NOT YET OFFERED ITEMS FOR TARIFF CUTS, BUT WE DO BELIEVE THAT HIS STRONG EMPHASIS ON THE OTHER ELEMENTS OF THE TPA STILL ACCURATELY REFLECTS GOI POLICY.

RIVES

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